

Message Text

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PAGE 01 BELGRA 00702 311047Z
ACTION EUR-12

INFO OCT-01 ISO-00 XMB-02 L-03 SP-02 USIA-06 AID-05
EB-08 NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01
COME-00 CIAE-00 INR-07 NSAE-00 /075 W
-----099141 311829Z /46
R 310838Z JAN 78
FM AMEMBASSY BELGRADE
TO SECSTATE WASHDC 4785

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PASS EXIMBANK

FROM THE AMBASSADOR FOR CHAIRMAN MOORE AND VICE PRESIDENT
ALBRIGHT

E. O. 11652: N/A
TAGS: EFIN, YO
SUBJ: EXIMBANK SUPERGUARANTEE ISSUE

REF: BELGRADE 701

1. IT IS DIFFICULT TO JUDGE FROM THE HARD-LINE REMARKS OF
STOJILJKOVIC REPORTED IN REFTTEL WHETHER HE IS SPEAKING
AUTHORITATIVELY FOR THE GOY, FOR HIS MINISTRY, OR SIMPLY
PERSONALLY. NEVERTHELESS, I DO NOT BELIEVE THAT WE CAN IGNORE
EITHER THE SUBSTANCE OR THE TONE OF WHAT HE HAS SAID. AT THIS
POINT IT IS IMPORTANT THAT WE DO ALL WE REASONABLY CAN TO
FIND A SOLUTION TO THE LONG-STANDING SUPERGUARANTEE PROBLEM
(HOPEFULLY BEFORE THE TITV VISIT). OTHERWISE, THE ISSUE WILL
REMAIN AN INCREASINGLY TROUBLESOME -- AND POTENTIALLY
DAMAGING -- IRRITANT IN OUR BILATERAL RELATIONS.

2. PROSPECTS FOR RESOLVING THE SUPERGUARANTEE ISSUE
WITH LEAST DAMAGE TO OUR ECONOMIC RELATIONS ARE PROBABLY
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PAGE 02 BELGRA 00702 311047Z

BRIGHTEST BEFORE THE TITO VISIT. AT SENIOR LEVELS IN THE
GOY THERE IS APPARENT HOPE THAT BOTH SIDES CAN APPROACH
THE QUESTION COOPERATIVELY AND GET IT OUT OF THE WAY
BEFORE THE VISIT. I RECENTLY RAISED THE SUPERGUARANTEE
ISSUE WITH FEDERAL ASSEMBLY PRESIDENT GLIGOROV, AND WAS
ENCOURAGED BY HIS POSITIVE RESPONSE AND PROMISE TO GIVE
THE MATTER HIS ATTENTION. I HAVE ALSO DISCUSSED THE

MATTER WITH ASSISTANT FOREIGN SECRETARY BERNARDIC, WHO IS CLEARLY A KEY PLAYER IN THE PROCESS OF MANAGING THE TITO VISIT, AND HE HAS INDICATED HIS DESIRE TO WORK FOR A SOLUTION. I BELIEVE THE YUGOSLAVS ARE ANXIOUS NOT TO HAVE MAJOR PROBLEMS INTERFERE WITH THE TITO VISIT; WE SHOULD, THEREFORE, BE IN A GOOD POSITION IF WE CAN PRESENT A COMPROMISE SOLUTION. IT IS ONE OF ONLY THREE BILATERAL PROBLEMS THE GOY NOW PLANS TO HAVE TITO RAISE WITH PRESIDENT CARTER.

3. I HOPE THAT THE MEMORANDUM OF UNDERSTANDING NOW BEING DRAFTED BY EXIM IS THE FIRST STEP TOWARDS RESOLUTION OF THE SUPERGUARANTEE PROBLEM. AT THE SAME TIME, IT IS UNLIKELY, IN OUR VIEW, THAT THIS APPROACH, BY ITSELF, WILL CONSTITUTE THE SOLUTION, ALTHOUGH BELOVSKI MAY HAVE LAID SOME GROUNDWORK FOR IT DURING HIS RECENT VISIT TO BELGRADE. IN ANY EVENT, I WOULD PROPOSE, ONCE THE MEMORANDUM OF UNDERSTANDING IS DELIVERED, THAT RAY ALBRIGHT COME TO BELGRADE AND BE PREPARED TO ENTER INTO SERIOUS NEGOTIATIONS ON THE ISSUE, SINCE I DOUBT THAT AN EXCHANGE OF CORRESPONDENCE ALONE CAN RESOLVE THIS ISSUE. IF YOU ARE AGREEABLE TO THIS APPROACH IN PRINCIPLE, WE CAN SUGGEST IT TO THE YUGOSLAVS ON AN INFORMAL BASIS. WE WOULD MAKE IT ABSOLUTELY CLEAR TO THE YUGOSLAVS, HOWEVER, THAT SUCH A TRIP COULD ONLY TAKE PLACE IF THEY WERE WILLING TO ENTER INTO A CONSTRUCTIVE DIALOGUE ON THE PROBLEM AND NOT LIMITED OFFICIAL USE

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PAGE 03 BELGRA 00702 311047Z

CONTINUE THE INTRANSIGENCE SHOWN TO DATE. PLEASE ADVISE US OF YOUR REACTION TO THIS PROPOSAL.

4. AS AN ADDITIONAL POINT OF INTEREST, THE JAN 13TH EDITION OF BORBA REPORTED THAT THE FEDERAL EXECUTIVE COUNCIL (FEC) HAD APPROVED A DRAFT LAW AUTHORIZING THE ISSUANCE OF A FEDERATION "SUPERGUARANTEE" TO COVER THE EUROPEAN INVESTMENT BANK LOAN TO JUGOBANKA FOR PARTIALLY FINANCING THE SECOND-PHASE CONSTRUCTION OF YUGOSLAVIA'S 380 KILOWATT TRANSMISSION GRID. JUGOBANKA EXPLAINED TO EMBOFF THAT THIS SUPERGUARANTEE IS AN INTERNAL ONE ONLY. IT GUARANTEES TO JUGOBANKA THAT IF IT AND ITS INVESTORS CANNOT MEET A REQUIRED PAYMENT, THE FEDERATION WILL PROVIDE THE NEEDED FUNDS. JUGOBANKA, HOWEVER, IS THE SOLE GUARANTOR TO THE EUROPEAN INVESTMENT BANK. JUGOBANKA EXPLAINED THAT THIS WAS THE FIRST SUCH "SUPERGUARANTEE" AND THAT IT WAS ARRANGED TO PROVIDE THE EUROPEAN INVESTMENT BANK WITH ADDITIONAL SECURITY WHILE NOT GIVING THE BANK, AS A FOREIGN ENTITY, THE SUPERGUARANTEE DIRECTLY. THE EUROPEAN INVESTMENT BANK, AS AN ORGAN OF THE EEC, IS MORE THAN THE BANK OF ONE COUNTRY, BUT IT IS SOMETHING LESS THAN AN INTERNATIONAL ORGANIZATION OF THE TYPE TO WHICH YUGOSLAVIA HAS STATED IT WOULD CONTINUE TO

PROVIDE A SUPERGUARANTEE. WHILE IT IS HIGHLY UNLIKELY THAT
THE FEC WOULD APPROVE SUCH A GUARANTEE FOR MANY PROJECTS,
THIS APPROACH MAY BE A METHOD BY WHICH EXIM COULD OBTAIN
A TYPE OF GOVERNMENT "SUPERGUARANTEE" FOR LARGER LOANS.
CERTAINLY, IT MAY BE WORTH LOOKING INTO FURTHER.
EAGLEBURGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, CREDIT GUARANTEES
Control Number: n/a
Copy: SINGLE
Draft Date: 31 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BELGRA00702
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780046-0531
Format: TEL
From: BELGRADE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t1978016/aaaaaeas.tel
Line Count: 122
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: c88f63e3-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 BELGRADE 701
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3768689
Secure: OPEN
Status: NATIVE
Subject: EXIMBANK SUPERGUARANTEE ISSUE
TAGS: EFIN, YO
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/c88f63e3-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014